

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name BENGAL TOWNSHIP	County CLINTON
Fiscal Year End 3/31/06	Opinion Date 6/6/06	Date Audit Report Submitted to State 9/7/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

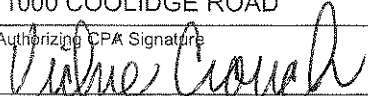
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) LAYTON AND RICHARDSON, P.C.		Telephone Number 517-332-1900	
Street Address 1000 COOLIDGE ROAD		City EAST LANSING	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name VICKIE CROUCH	License Number 1101013436

TOWNSHIP OF BENGAL, MICHIGAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006  
AND  
INDEPENDENT AUDITORS' REPORT



**Layton & Richardson, P.C.**  
*Certified Public Accountants*

**TOWNSHIP OF BENGAL, MICHIGAN**

**TOWNSHIP BOARD**

2003-2006

Eric Mohnke

Supervisor

Arleita Schafer

Clerk

Suzanne Williams

Treasurer

Kenneth Thelen

Trustee

Marilyn Irrer

Trustee

Stephen Mahoney

Trustee

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# Layton & Richardson, P.C.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Township Board  
Township of Bengal  
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Bengal, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Bengal, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Bengal, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the Township of Bengal, Michigan adopted the provision of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of April 1, 2005.

The management's discussion and analysis and the required supplementary information on pages 3 through 5 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Bengal, Michigan's basic financial statements. The accompanying introductory section and the supplemental financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2006 on our consideration of the Township of Bengal, Michigan's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.

  
Certified Public Accountants

East Lansing, Michigan  
June 6, 2006

## MANAGEMENT'S DISCUSSION LETTER

As management for the Township of Bengal, we offer readers of the Township of Bengal financial statement and this overview of the financial activities of the Township of Bengal for the fiscal year ended March 31, 2006.

All Funds indicated herein show our current balances as of April 1, 2006

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Township of Bengal's basic financial statements. The Township of Bengal basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on the Township of Bengal's assets and liabilities, with the difference between the two reported as net assets.

The statement of revenue, expenditures, and changes present the Township's activities and changes during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in the future fiscal year.

Both the government-wide financial statements distinguish functions of the Township of Bengal that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Township of Bengal include legislative, general government, public safety, public works, and cultural.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Bengal, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of Bengal are governmental funds.



## MANAGEMENT'S DISCUSSION LETTER - Continued

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. However, unlike the government-wide financial statement, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources.

The Township of Bengal adopts an annual budget each fiscal year that is also approved by the Township Board. During the reported fiscal year, several adjustments were made to the annual budget to accommodate for the increase in expenses.

### Overview of Governmental Funds

The following overview of the Governmental Funds for the Township of Bengal is a condensed financial overview of the assets, capital assets, revenues, and expenditures of the reported fiscal year. This overview is to be a comparative with the previous fiscal year, however, as this is the first year of the new GASB 34 requirement, there is no comparative information available.

### TOWNSHIP OF BENGAL FINANCIAL INFORMATION

<u>Category</u>	<u>2006</u>
Assets	\$ 477,308.00
Capital Assets	\$ 0.00
TOTAL ASSETS	\$ 477,308.00
Liabilities	\$ 0.00
\$ invested in capital assets, net of related debt	\$ 0.00
Unrestricted Assets	\$ 477,308.00
 PROGRAM REVENUES	
Operating Grants	\$ 80,618.00
Charges for services	\$ 3,187.00
 GENERAL REVENUES	
Taxes	\$ 178,596.00
Interest	\$ 1,482.00
Miscellaneous	\$ 33,650.00
TOTAL REVENUES	\$ 297,533.00
TOTAL EXPENSES	\$ 200,228.00
CHANGE IN NET ASSETS	\$ 97,305.00
ENDING NET ASSETS	\$ 477,308.00

## MANAGEMENT'S DISCUSSION LETTER - Concluded

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in this report. The Notes to Financial Statements can be found on pages 13-19 of this report.

### **Requests For Information**

This financial report is designed to provide a general overview of the Township of Bengal's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Office of the Treasurer.

TOWNSHIP OF BENGAL, MICHIGAN  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS  
BALANCE SHEET  
MARCH 31, 2006

	GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 460,958	\$	\$ 460,958
Investments	3,000		3,000
Due from State	13,350		13,350
Capital assets			
TOTAL CURRENT ASSETS	<u>\$ 477,308</u>	<u>\$</u>	<u>\$ 477,308</u>
EQUITY AND OTHER CREDITS			
Fund balance			
unreserved, undesignated	<u>\$ 477,308</u>	<u>\$</u>	<u>\$ 477,308</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BENGAL, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE/NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

	GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF NET ASSETS
EXPENDITURES/EXPENSES			
Legislative	\$ 2,800	\$	\$ 2,800
General government	49,976		49,976
Public safety	20,750		20,750
Public works	122,593		122,593
Health and welfare	2,935		2,935
Library and culture	1,174		1,174
	<u>200,228</u>		<u>200,228</u>
PROGRAM REVENUES			
State shared revenue	80,618		80,618
Charges for services	3,187		3,187
	<u>83,805</u>		<u>83,805</u>
Net program expense	<u>(116,423)</u>		<u>(116,423)</u>
GENERAL REVENUES			
Property taxes	178,596		178,596
Interest	1,482		1,482
Miscellaneous	33,650		33,650
	<u>213,728</u>		<u>213,728</u>
CHANGES IN FUND BALANCE/NET ASSETS	97,305		97,305
FUND BALANCE/NET ASSETS, APRIL 1	<u>380,003</u>		<u>(380,003)</u>
FUND BALANCE/NET ASSETS, MARCH 31	<u>\$ 477,308</u>	<u>\$</u>	<u>\$ 477,308</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BENGAL, MICHIGAN**

BALANCE SHEET

GOVERNMENTAL FUNDS

MARCH 31, 2006

	GENERAL	CEMETERY TRUST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 460,958	\$	\$ 460,958
Investments		3,000	3,000
Due from state	<u>13,350</u>		<u>13,350</u>
TOTAL CURRENT ASSETS	<u>\$ 474,308</u>	<u>\$ 3,000</u>	<u>\$ 477,308</u>
EQUITY AND OTHER CREDITS			
Fund balance			
unreserved, undesignated	<u>\$ 474,308</u>	<u>\$ 3,000</u>	<u>\$ 477,308</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BENGAL, MICHIGAN**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total fund balances - governmental funds	\$ 477,308
Amounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$15,495 and the accumulated depreciation is \$15,495.	
Total net assets - governmental activities	\$ <u>477,308</u>

See accompanying notes to financial statements.

TOWNSHIP OF BENGAL, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL	CEMETERY TRUST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 178,596	\$	\$ 178,596
State shared revenue	80,618		80,618
Charges for services	6,845		6,845
Interest	1,482		1,482
Miscellaneous	29,992		29,992
TOTAL REVENUES	<u>297,533</u>		<u>297,533</u>
EXPENDITURES			
Legislative	2,800		2,800
General government	49,976		49,976
Public safety	20,750		20,750
Public works	122,593		122,593
Health and welfare	2,935		2,935
Library and culture	1,174		1,174
TOTAL EXPENDITURES	<u>200,228</u>		<u>200,228</u>
EXCESS OF REVENUES OVER EXPENDITURES	97,305		97,305
FUND BALANCE/NET ASSETS, APRIL 1	<u>377,003</u>	<u>3,000</u>	<u>380,003</u>
FUND BALANCE/NET ASSETS, MARCH 31	\$ <u>474,308</u>	\$ <u>3,000</u>	\$ <u>477,308</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BENGAL, MICHIGAN**  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
MARCH 31, 2006

Net changes in fund balances - total governmental funds	\$ 97,305
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	
Less: current year depreciation	
Change in net assets of governmental activities	<u>\$ 97,305</u>

See accompanying notes to financial statements.



## TOWNSHIP OF BENGAL, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under an elected Township Board, which consists of six members. The Township provides general government operations.

##### A. Reporting Entity

All funds and account groups under direct control of the Township are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and Statement on Michigan Governmental Accounting and Auditing No.5.

The criteria established by GASB for determining which of the Township's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

##### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township of Bengal and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township of Bengal.

The Township of Bengal reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

The Cemetery Trust Fund is used to account for resources legally held in trust to be used for cemetery perpetual care. All resources of the fund, including any earnings on invested resources, may be used to support the organization's activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township of Bengal has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the tax fund.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Concluded

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Township has no proprietary funds.

When both restricted and unrestricted resources are available for use, it is the Township of Bengal's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Bengal as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Buildings	10-40 years
Equipment	5-20 years

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded**

E. Cash and Investments

The Township's cash is considered to be cash on hand, demand deposits, and non-negotiable certificates of deposit with an original maturity of 3 months or less.

All investments are stated at cost or amortized cost.

F. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Township holds a special meeting to develop the budget for the General Fund for the following fiscal year. Public hearings are conducted to obtain taxpayer comments before the budget is formally adopted.
2. Any revision to the budget must be approved by the Township Board.
3. Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended.
4. All annual appropriations lapse at year end.

G. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **PROPERTY TAXES**

The Township is authorized by State Statute and the Township Charter to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental operating purposes. The combined tax rate to finance governmental services for the year ended March 31, 2006 was 4.6539 per \$1,000. The total taxable value for the 2005 levy was \$38,206,312.

Pertinent tax dates are as follows:

Lien date	12/01/05
Levy date	12/01/05
Due date without penalty	02/14/06
Collection date	07/01/05 – 02/28/06

NOTE 3: **CASH AND INVESTMENTS**

The captions on the combined balance sheet relating to cash and investments are as follows:

Cash and cash equivalents	\$ 460,958
Investments	<u>3,000</u>
	\$ <u>463,958</u>

A summary by type are:

Deposits	
Cash in checking accounts/ money market	\$ 460,958
Investments	
Certificates of deposit	<u>3,000</u>
	\$ <u>463,958</u>

Deposits

At March 31, 2006, the banks were carrying a cash balance of \$460,981 - not including any pooled investment funds.

General Fund deposits were insured up to \$100,000, leaving a balance of \$360,981 uninsured.

Investments

Act 196, P. A. 1997, authorizes the Township to deposit and invest in the following:

- (a) Bonds, securities and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- (c) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptance of United States banks.
- (f) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Certain mutual funds as defined in the Act.

NOTE 3: **CASH AND INVESTMENTS – Concluded**

Investments - Concluded

Investments of the Township are in accordance with statutory authority.

There are three levels of risk by which investments are classified. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Township's name.

At MARCH 31, 2006, the Township's investments were classified as follows:

Category 1 (insured)	\$ <u>3,000</u>
Category 2 (uninsured)	\$ _____

The Township has adopted a formal investment policy, as required by Act 20, P.A. 1943 as amended, that complies with State law.

NOTE 4: **CAPITAL ASSETS**

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	APRIL 1, 2005	ADDITIONS	DELETIONS	MARCH 31, 2006
Capital assets being depreciated				
Land and buildings	\$ 3,975	\$ _____	\$ _____	\$ 3,975
Equipment	<u>11,520</u>	_____	_____	<u>11,520</u>
Total Capital assets being depreciated	<u>15,495</u>	_____	_____	<u>15,495</u>
Less: Accumulated depreciation				
Buildings	3,975			3,975
Equipment	<u>11,520</u>	_____	_____	<u>11,520</u>
Total Accumulated Depreciation	<u>15,495</u>	_____	_____	<u>15,495</u>
NET CAPITAL ASSETS	\$ _____	\$ _____	\$ _____	\$ _____

**NOTE 5: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS**

P.A. 621 of 1978 provides that local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the Township Board. P.A. 493 of 2003 removed debt service funds as funds requiring a budget. During the year ended March 31, 2006, Bengal Township incurred expenditures in excess of appropriations as follows:

	BUDGET	ACTUAL	UNFAVORABLE VARIANCE
<b>GENERAL FUND</b>			
General government			
Supervisor	\$ 6,936	\$ 7,500	\$( 564 )
Clerk	8,521	9,000	( 479 )
Treasurer	8,621	9,000	( 379 )
Equalization	1,300	1,440	( 140 )
Elections	1,050	1,475	( 425 )
Drainage at large			
professional services	876	1,030	( 154 )

**NOTE 6: RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for most risks of loss to which it is exposed.

## REQUIRED SUPPLEMENTARY INFORMATION



**TOWNSHIP OF BENGAL, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Property tax levy	\$ 180,100	\$ 180,100	\$ 178,596	\$ (1,504)
Administrative fee	10,400	10,400	10,673	273
State shared revenue	84,856	84,856	80,618	(4,238)
Charges for services			3,187	3,187
Interest	745	745	1,482	737
Refunds and rebates	9,000	9,000	19,319	10,319
Penalties and interest	1,400	1,400	3,658	2,258
TOTAL REVENUES	<u>286,501</u>	<u>286,501</u>	<u>297,533</u>	<u>11,032</u>
EXPENDITURES				
Legislative	2,604	2,604	2,800	(196)
General government	70,303	69,503	49,976	19,527
Public safety	14,400	15,200	20,750	(5,550)
Public works	188,560	188,560	122,593	65,967
Health and welfare	2,935	2,935	2,935	
Library and culture	1,174	1,174	1,174	
TOTAL EXPENDITURES	<u>279,976</u>	<u>279,976</u>	<u>200,228</u>	<u>79,748</u>
EXCESS OF REVENUES OVER EXPENDITURES	6,525	6,525	97,305	90,780
FUND BALANCE, APRIL 1	<u>377,003</u>	<u>377,003</u>	<u>377,003</u>	
FUND BALANCE, MARCH 31	<u>\$ 383,528</u>	<u>\$ 383,528</u>	<u>\$ 474,308</u>	<u>\$ 90,780</u>

## SUPPLEMENTARY INFORMATION

**TOWNSHIP OF BENGAL, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2006**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property tax levy	\$ 180,100	\$ 178,596	\$ (1,504)
Administrative fee	10,400	10,673	273
State shared revenue	84,856	80,618	(4,238)
Charges for services		3,187	3,187
Interest	745	1,482	737
Refunds and rebates	9,000	19,319	10,319
Penalties and interest	1,400	3,658	2,258
TOTAL REVENUES	<u>286,501</u>	<u>297,533</u>	<u>11,032</u>
EXPENDITURES			
Legislative			
Township board	<u>2,604</u>	<u>2,800</u>	<u>(196)</u>
General Services			
Supervisor	6,936	7,500	(564)
Clerk	8,521	9,000	(479)
Board of review	234	234	
Assessor	7,750	6,838	912
Treasurer	8,621	9,000	(379)
Equalization	1,300	1,440	(140)
Cemetery	4,000	2,855	1,145
Hall and grounds	2,775	1,478	1,297
Elections	1,050	1,475	(425)
Professional services	876	1,030	(154)
Bank service charges	50		50
Contingency fund	7,200		7,200
Other general government	20,190	9,126	11,064
Total General Services	<u>69,503</u>	<u>49,976</u>	<u>19,527</u>
Public Safety			
Fire	<u>15,200</u>	<u>20,750</u>	<u>(5,550)</u>
Public Works			
Drain at large	12,000	9,932	2,068
Highways and streets	176,560	112,661	63,899
Total Public Works	<u>188,560</u>	<u>122,593</u>	<u>65,967</u>
Health and Welfare			
Ambulance	<u>2,935</u>	<u>2,935</u>	
Library and Culture			
Library	<u>1,174</u>	<u>1,174</u>	
TOTAL EXPENDITURES	<u>279,976</u>	<u>200,228</u>	<u>79,748</u>
EXCESS OF REVENUES OVER EXPENDITURES	6,525	97,305	90,780
FUND BALANCE, APRIL 1	<u>377,003</u>	<u>377,003</u>	
FUND BALANCE, MARCH 31	<u>\$ 383,528</u>	<u>\$ 474,308</u>	<u>\$ 90,780</u>



# Layton & Richardson, P.C.

Certified Public Accountants

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Township Board  
Township of Bengal  
Clinton County, Michigan

We have audited the financial statements of the governmental activities of Bengal Township, Michigan as of and for the year ended March 31, 2006, which collectively comprise Bengal Township, Michigan's basic financial statements and have issued our report thereon dated June 6, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bengal Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

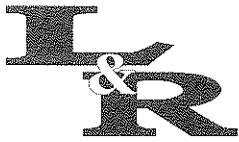
As part of obtaining reasonable assurance about whether Bengal Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Bengal Township, Michigan, in a separate letter dated June 6, 2006.

This report is intended solely for the information and use of the management, State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Certified Public Accountants*

East Lansing, Michigan  
June 6, 2006



# Layton & Richardson, P.C.

*Certified Public Accountants*

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Township Board  
Township of Bengal  
Clinton County, Michigan

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### Compliance and Other Matters

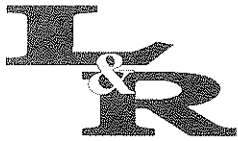
As part of obtaining reasonable assurance about whether Bengal Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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*Layton & Richardson, P.C.*  
Certified Public Accountants

East Lansing, Michigan  
June 6, 2006



# Layton & Richardson, P.C.

*Certified Public Accountants*

## AUDITORS' LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board  
Township of Bengal  
Clinton County, Michigan

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East Lansing, MI 48823

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David Layton, CPA  
Davelayton@LNRCPA.com

We have audited the general purpose financial statements of the Township of Bengal, Michigan for the year ended March 31, 2006, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the Township of Bengal, Michigan. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of the Township of Bengal, Michigan is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation of the internal accounting control system would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Township of Bengal, Michigan.

### PRIOR YEAR RECOMMENDATIONS

#### DISBURSEMENTS

We noted during our audit that there are only two check signers. Since all checks require two signatures, if one of the check signers is unavailable, this poses a problem. We recommend the Township assign two additional check signers.

**Management response:** As of June 11, 2006, two additional signers were added.



## PRIOR YEAR RECOMMENDATIONS- Concluded

### DISBURSEMENTS - Concluded

It was noted during the audit that the same person who prepares disbursement checks also signs and mails them. We recommend that the person who prepares the disbursement checks give them to the Treasurer for signing and mailing. **This has been implemented.**

### MINUTES

During our audit, we noted the minutes state that the bills are approved each month. We recommend that the minutes include the total amount of bills approved. The Supervisor or Trustee should also date and initial the approved list. **This has been implemented.**

## CURRENT YEAR RECOMMENDATIONS

### INVESTMENT POLICY

To be in compliance with GASB 40, all investment policies must be changed to conform with the requirements of GASB 40.

We are grateful to the Township employees for the assistance and cooperation we received during the audit and we thank them.

East Lansing, Michigan  
June 6, 2006

  
Certified Public Accountants